
By: Delegates Workman and Slade

Introduced and read first time: January 17, 1996

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Landlord and Tenant - Security Deposits - Interest**

3 FOR the purpose of altering the amount of interest a landlord must pay a tenant upon
4 return of the tenant's security deposit; and generally relating to security deposits on
5 residential leases.

6 BY repealing and reenacting, with amendments,
7 Article - Real Property
8 Section 8-203
9 Annotated Code of Maryland
10 (1988 Replacement Volume and 1995 Supplement)

11 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
12 MARYLAND, That the Laws of Maryland read as follows:

13 **Article - Real Property**

14 8-203.

15 (a) In this section "security deposit" means any payment of money, including
16 payment of the last month's rent in advance of the time it is due, given to a landlord by a
17 tenant in order to protect the landlord against nonpayment of rent or damage to the
18 leased premises.

19 (b) (1) A landlord may not impose a security deposit in excess of the equivalent
20 of two months' rent, or \$50, whichever is greater, per dwelling unit, regardless of the
21 number of tenants.

22 (2) If a landlord charges more than the equivalent of two months' rent, or
23 \$50, whichever is greater, per dwelling unit as a security deposit, the tenant may recover
24 up to threefold the extra amount charged, plus reasonable attorney's fees.

25 (3) An action under this section may be brought at any time during the
26 tenancy or within two years after its termination.

27 (c) (1) The landlord shall give the tenant a receipt for the security deposit. The
28 receipt may be included in a written lease.

1 (2) The landlord shall be liable to the tenant in the sum of \$25 if the
2 landlord fails to provide a written receipt for the security deposit.

3 (3) The receipt or lease shall contain language informing the tenant of his
4 rights under this section to receive from the landlord a written list of all existing damages
5 if the tenant makes a written request of the landlord within 15 days of the tenant's
6 occupancy.

7 (d) (1) If the landlord imposes a security deposit, on written request, he
8 promptly shall provide the tenant with a written list of all existing damages. The request
9 must be made within 15 days of the tenant's occupancy.

10 (2) Failure to provide the tenant with this written statement renders the
11 landlord liable to the tenant for threefold the amount of the security deposit. The total
12 amount of damages shall be subject to a setoff for damages and unpaid rent which
13 reasonably could be withheld under this section.

14 (e) (1) The landlord shall maintain all security deposits in a banking or savings
15 institution in the State. The account shall be devoted exclusively to security deposits and
16 bear interest.

17 (2) A security deposit shall be deposited in the account within 30 days after
18 the landlord receives it.

19 (3) In the event of sale or transfer of any sort, including receivership or
20 bankruptcy, the security deposit is binding on the successor in interest to the person to
21 whom the deposit is given. Security deposits are free from any attachment by creditors.

22 (4) Any successor in interest is liable to the tenant for failure to return the
23 security deposit, together with interest, as provided in this section.

24 (f) (1) Within 45 days after the end of the tenancy, the landlord shall return the
25 security deposit to the tenant together with simple interest which has accrued in the
26 amount [of 4 percent per annum] PAID ON THE ACCOUNT BY THE BANKING OR
27 SAVINGS INSTITUTION, less any damages rightfully withheld.

28 [(2) Interest shall accrue at six-month intervals from the day the tenant gives
29 the landlord the security deposit. Interest is not compounded.]

30 [(3)] (2) Interest shall be payable only on security deposits of \$50 or more.

31 [(4)] (3) If the landlord, without a reasonable basis, fails to return any part
32 of the security deposit, plus accrued interest, within 45 days after the termination of the
33 tenancy, the tenant has an action of up to threefold of the withheld amount, plus
34 reasonable attorney's fees.

35 (g) (1) The security deposit, or any portion thereof, may be withheld for unpaid
36 rent, damage due to breach of lease or for damage to the leased premises by the tenant,
37 his family, agents, employees, or social guests in excess of ordinary wear and tear. The
38 tenant has the right to be present when the landlord or his agent inspects the premises in
39 order to determine if any damage was done to the premises, if the tenant notifies the
40 landlord by certified mail of his intention to move, the date of moving, and his new
41 address. The notice to be furnished by the tenant to the landlord shall be mailed at least

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1 15 days prior to the date of moving. Upon receipt of the notice, the landlord shall notify
2 the tenant by certified mail of the time and date when the premises are to be inspected.
3 The date of inspection shall occur within five days before or five days after the date of
4 moving as designated in the tenant's notice. The tenant shall be advised of his rights
5 under this subsection in writing at the time of his payment of the security deposit. Failure
6 by the landlord to comply with this requirement forfeits the right of the landlord to
7 withhold any part of the security deposit for damages.

8 (2) The security deposit is not liquidated damages and may not be forfeited
9 to the landlord for breach of the rental agreement, except in the amount that the landlord
10 is actually damaged by the breach.

11 (3) In calculating damages for lost future rents any amount of rents received
12 by the landlord for the premises during the remainder if any, of the tenant's term, shall
13 reduce the damages by a like amount.

14 (h) (1) If any portion of the security deposit is withheld, the landlord shall
15 present by first-class mail directed to the last known address of the tenant, within 30 days
16 after the termination of the tenancy, a written list of the damages claimed under
17 subsection (g)(1) together with a statement of the cost actually incurred.

18 (2) If the landlord fails to comply with this requirement, he forfeits the right
19 to withhold any part of the security deposit for damages.

20 (i) (1) The provisions of subsections (f)(1), [(f)(4)] (F)(3), (h)(1), and (h)(2)
21 are inapplicable to a tenant who has been evicted or ejected for breach of a condition or
22 covenant of a lease prior to the termination of the tenancy or who has abandoned the
23 premises prior to the termination of the tenancy.

24 (2) A tenant specified in paragraph (1) may demand return of the security
25 deposit by giving written notice by first-class mail to the landlord within 45 days of being
26 evicted or ejected or of abandoning the premises. The notice shall specify the tenant's
27 new address. The landlord, within 30 days of receipt of such notice, shall present, by
28 first-class mail to the tenant, a written list of the damages claimed under subsection
29 [(g)(i)] (G)(1) together with a statement of the costs actually incurred. Within 45 days of
30 receipt of the notice, the landlord shall return to the tenant the security deposit together
31 with simple interest which has accrued in the amount of 4 percent per annum, less any
32 damages rightfully withheld.

33 (3) If a landlord fails to send the list of damages required by paragraph (2),
34 the right to withhold any part of the security deposit for damages is forfeited. If a
35 landlord fails to return the security deposit as required by paragraph (2), the tenant has
36 an action of up to threefold of the withheld amount, plus reasonable attorney's fees.

37 (4) Except to the extent specified, this subsection may not be interpreted to
38 alter the landlord's duties under subsections (f) and (h).

39 (j) No provision of this section may be waived in any lease.

40 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
41 October 1, 1996.